

I certify that the attached is a true and correct copy of HJR. 1, which was filed of record on APR 26 1982 and referred to the committee on: Constitutional Amendments

*Betty Messing*  
Chief Clerk of the House

SECOND CALLED SESSION

FILED  
APR 26 1982

By

*Clayton Schuster*

HJR. No. 1

A JOINT RESOLUTION

amending the constitution to repeal the state property tax.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. That Article VIII, Section 1-e, of the Texas Constitution be amended to read as follows:

Sec. 1-e. 1. No [~~From--and--after--December-31--1978--no~~] State ad valorem taxes shall be levied upon any property within this State [~~for--State--purposes--except--the--tax--levied--by--Article VII--Section-17--for--certain--institutions--of--higher--learning~~]. A person is not required to pay State ad valorem taxes levied after December 31, 1979, but is not entitled to a refund for taxes paid.

2. All receipts from previously authorized State ad valorem taxes that are collected on or after the effective date of the 1982 amendment to this section shall be deposited to the credit of the general fund of the county collecting the taxes and may be expended for county purposes. Receipts from taxes collected before that date shall be distributed to the institutions eligible to receive them under prior law and may be expended for the purposes provided under prior law or for repair and renovation of existing permanent improvements. [~~The-State-ad-valorem-tax-authorized-by-Article-VII, Section-3,--of-this-Constitution--shall-be-imposed-at-the-following rates-on-each-One-Hundred-Dollars-(\$100.00)-valuation-for-the-years 1968-through-1974--On-January-1,--1968--Thirty-five-Cents-(35¢)--on January-1,--1969--Thirty--Cents--(30¢)--on--January---1,---1970, Twenty-five-Cents-(25¢)--on-January-1,--1971--Twenty-Cents-(20¢)--on~~]

January-1,-1972,-Fifteen-Cents-(15¢);-on-January-1,-1973,-Ten-Cents  
(10¢);--on-January-1,-1974,-Five-Cents-(5¢);-and-thereafter-no-such  
tax-for-school-purposes-shall-be-levied-and-collected;---An--amount  
sufficient--to--provide--free--text--books--for-the-use-of-children  
attending-the-public-free-schools-of-this-State-shall-be-set--aside  
from-any-revenues-deposited-in-the-Available-School-Fund;-provided;  
however;-that-should-such-funds-be-insufficient;-the-deficit-may-be  
met-by-appropriation-from-the-general-funds-of-the-State-

[3:--The--State--ad--valorem-tax-of-Two-Cents-(2¢)-on-the-One  
Hundred-Dollars-valuation-levied-by-Article--VII;-Section--17;-of  
this--Constitution-shall-not-be-levied-after-December-31,-1976;-At  
any-time-prior-to-December-31,-1976;-the-Legislature-may--establish  
a--trust--fund--solely-for-the-benefit-of-the-widows-of-Confederate  
veterans-and-such-Texas-Rangers-and-their-widows--as--are--eligible  
for--retirement--or--disability--pensions--under--the-provisions-of  
Article-XVI;-Section-66;-of-this-Constitution;-and-after-such--fund  
is--established--the--ad-valorem-tax-levied-by-Article-VII;-Section  
17;-shall-not-thereafter-be-levied-

[4:--Unless-otherwise--provided--by--the--Legislature;-after  
December--31;-1976--all-delinquent-State-ad-valorem-taxes-together  
with--penalties--and--interest--thereon;-less--lawful--costs--of  
collection;-shall--be--used--to--secure-bonds-issued-for-permanent  
improvements-at-institutions-of-higher-learning;-as--authorized--by  
Article-VII;-Section-17;-of-this-Constitution-

[5:--The--fees--paid--by--the--State--for--both-assessing-and  
collecting-State-ad-valorem-taxes-shall-not--exceed--two--per--cent  
(2%)-of--the--State--taxes--collected;---This--subsection-shall-be

1 ~~self-executing~~ ]

2 SECTION 2. That Article VII, Section 17, of the Texas  
3 Constitution be repealed.

4 SECTION 3. This constitutional amendment shall be submitted  
5 to the voters at an election to be held on November 2, 1982. The  
6 ballot shall be printed to provide for voting for or against the  
7 proposition: "The constitutional amendment repealing the state  
8 property tax."

# HOUSE COMMITTEE REPORT

1st. Printing

By Clayton, Schlueter, et al.

H.J.R. No. 1

Substitute the following for H.J.R. No. 1:

By McFarland

C.S.H.J.R. No. 1

## A JOINT RESOLUTION

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BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. That Article VIII, Section 1-e, of the Texas Constitution be amended to read as follows:

Sec. 1-e. 1. No [~~From--and--after--December-31--1978--no~~] State ad valorem taxes shall be levied upon any property within this State [~~for--State--purposes--except--the--tax--levied--by--Article VII--Section-17--for--certain--institutions--of--higher--learning~~].

2. All receipts from previously authorized State ad valorem taxes that are collected on or after the effective date of the 1982 amendment to this section shall be deposited to the credit of the general fund of the county collecting the taxes and may be expended for county purposes. Receipts from taxes collected before that date shall be distributed by the legislature among institutions eligible to receive distributions under prior law. Those receipts and receipts distributed under prior law may be expended for the purposes provided under prior law or for repair and renovation of existing permanent improvements. [~~The--State--ad--valorem--tax authorized--by--Article-VII--Section-3--of--this--Constitution--shall--be imposed--at--the--following--rates--on--each--One--Hundred--Dollars (\$100.00)--valuation--for--the--years--1968--through--1974--On--January-1--1968--Thirty-five--Cents--(35¢)--on--January-1--1969--Thirty-Cents (30¢)--on--January-1--1970--Twenty-five-Cents--(25¢)--on--January--1--1971--Twenty-Cents--(20¢)--on--January-1--1972--Fifteen-Cents--(15¢)--~~]

1 on-January-1,-1973,-Ten-Cents-(10¢),-on-January-1,-1974,-Five-Cents  
2 (5¢),-and-thereafter-no-such-tax-for-school-purposes-shall-be  
3 levied-and-collected---An-amount-sufficient-to-provide-free-text  
4 books-for-the-use-of-children-attending-the-public-free-schools-of  
5 this-State-shall-be-set-aside-from-any-revenues-deposited-in-the  
6 Available-School-Fund,-provided,-however,-that-should-such-funds-be  
7 insufficient,-the-deficit-may-be-met-by-appropriation-from-the  
8 general-funds-of-the-State-

9 [3--The-State-ad-valorem-tax-of-Two-Cents-(2¢)-on-the-One  
10 Hundred-Dollars-valuation-levied-by-Article-VII,-Section-17,-of  
11 this-Constitution-shall-not-be-levied-after-December-31,-1976--At  
12 any-time-prior-to-December-31,-1976,-the-Legislature-may-establish  
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15 for-retirement-or-disability-pensions-under-the-provisions-of  
16 Article-XVI,-Section-66,-of-this-Constitution,-and-after-such-fund  
17 is-established-the-ad-valorem-tax-levied-by-Article-VII,-Section  
18 17,-shall-not-thereafter-be-levied-

19 [4--Unless-otherwise-provided-by-the-Legislature,-after  
20 December-31,-1976--all-delinquent-State-ad-valorem-taxes-together  
21 with-penalties-and-interest-thereon,-less-lawful-costs-of  
22 collection,-shall-be-used-to-secure-bonds-issued-for-permanent  
23 improvements-at-institutions-of-higher-learning,-as-authorized-by  
24 Article-VII,-Section-17,-of-this-Constitution-

25 [5--The-fees-paid-by-the-State-for-both-assessing-and  
26 collecting-State-ad-valorem-taxes-shall-not-exceed-two-per-cent  
27 (2%)-of-the-State-taxes-collected---This-subsection-shall-be

1 ~~self-executing.~~ ]

2 SECTION 2. That the following unnumbered provision be added  
3 to the Texas Constitution:

4 VALIDATION OF ASSESSMENT RATIO. (a) Section 26.03, Tax  
5 Code, is validated as of its purported effective date.

6 (b) This section expires on the day following its effective  
7 date.

8 SECTION 3. That Article VII, Section 17, of the Texas  
9 Constitution be repealed.

10 SECTION 4. This constitutional amendment shall be submitted  
11 to the voters at an election to be held on November 2, 1982. The  
12 ballot shall be printed to provide for voting for or against the  
13 proposition: "The constitutional amendment repealing the state  
14 property tax."

COMMITTEE REPORT

The Honorable Bill Clayton  
Speaker of the House of Representatives

May 24, 1982  
(date)

Sir:

We, your COMMITTEE ON CONSTITUTIONAL AMENDMENTS, to whom was referred HR-1, have had the same under consideration and beg to report back with the recommendation that it (measure)

- ( ) do pass, without amendment.
- ( ) do pass, with amendment(s).
- (X) do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.

A fiscal note was requested. (X) yes ( ) no

An author's fiscal statement was requested. ( ) yes (X) no

An actuarial analysis was requested. ( ) yes (X) no

The Committee recommends that this measure be placed on the (Local) or (Consent) Calendar.

This measure ( ) proposes new law.  
( ) amends existing law.  
(X) amends the constitution  
House Sponsor of Senate Measure \_\_\_\_\_

The measure was reported from Committee by the following vote:

	AYE	NAY	PNV	ABSENT
McFarland, Ch.	✓			
Whaley, V.C.	✓			
Atkinson	✓			
Barrientos	✓			
Delco		✓		
Elizondo				✓
Schoolcraft	✓			
Sharp	✓			
Ware	✓			

Total  
7 aye  
1 nay  
0 present, not voting  
1 absent

Bob McFarland  
CHAIRMAN  
Reynolds  
COMMITTEE COORDINATOR

## ANALYSIS

### Background Information

Article VIII, Section 1-e, of the Texas Constitution continues a state ad valorem property tax of 10¢ on each \$100 valuation which is levied by Article VII, Section 17, and dedicated for funding of permanent improvements at certain institutions of higher learning.

During the 66th Session, an amendment to S.B. 621 established a statutory assessment ratio for state ad valorem property taxes of .0001%. This effectively abolished the state ad valorem tax, since the cost of administration for same would exceed the revenue generated.

Certain member of the Board of Trustees and Student Body of Midwestern University have brought a suit alleging that such legislation was unconstitutional in that it effectively abolished a constitutionally required tax by simple legislative enactment. If the plaintiffs should prevail in this lawsuit, state ad valorem taxes for fiscal years 1980 and 1981 would be levied and collected retroactively and reestablished for future years.

### Purpose and Synopsis

The purpose of this resolution is to amend Art. VIII, Sec. 1-e, and Art. VII, Sec. 17, of the Texas Constitution to repeal the state ad valorem tax for permanent improvements at certain institutions of higher education. It provides that no state ad valorem taxes shall be levied upon any property within the state and Art. VII, Sec. 17, is repealed.

Section 2 validates the assessment ratio provision of the Tax Code passed during the 66th Legislative Session, however, this section expires on the day following its effective date.

Finally, it provides for submission of the proposed constitutional amendment, in a prescribed ballot form, to the voters at an election to be held November 2, 1982.

### Rulemaking Authority

It is the committee's opinion that this joint resolution does not delegate rulemaking authority to a state officer, agency, department or institution.

### Comparison of Original to Substitute

H.J.R. 1 forgives the taxes levied during the reduced assessment ratio period. Alternatively, C.S.H.J.R. 1 validates that assessment ratio.

H.J.R. 1 provides for distribution of the tax fund balance among eligible institutions, but did not specify the process. The substitute provides that the legislature shall distribute the fund. H.J.R. 1 did not provide for using prior distribution for repair. C.S.H.J.R. 1 allows prior distribution to be ~~extended~~ for repair.

### Summary of Committee Action

On May 20, 1982, the Committee on Constitutional Amendments met in a public hearing to consider the issues to be considered in the 2nd Called Session, 67th Legislature. On May 24, 1982, pursuant to an announcement on the Floor of the House, the

committee met in formal meeting to consider H.J.R. 1. At that meeting a substitute was adopted and the committee voted to report the resolution (as substituted) by a vote of 7 ayes and 1 nay.

# LEGISLATIVE BUDGET BOARD

Austin, Texas

## FISCAL NOTE

May 24, 1982

Honorable Bob McFarland, Chairman  
Committee on Constitutional Amendments  
House of Representatives  
Austin, Texas

In Re: Committee Substitute for  
House Joint Resolution No. 1  
By: Clayton-Schlueter

Dear Sir:

In response to your request pursuant to House Rule V, Section 28, this office finds the fiscal implications of the Committee Substitute for House Joint Resolution No. 1 (amending the Constitution to repeal the state property tax) to be as follows:

The resolution states that no person would be required to pay State ad valorem taxes levied after December 31, 1979, but no one would be entitled to a refund for taxes paid. In 1979, the Legislature effectively eliminated the State ad valorem tax as a revenue measure by reducing the assessment ratio to .0001 percent beginning with the tax roll of January 1, 1980. That action has been challenged in the courts and the fiscal implications of C.S.H.J.R. No. 1 depend on the assumptions made as to the outcome of the court case.

If it is assumed that the court would sustain the action of the Legislature in reducing the assessment ratio, the final adoption of C.S.H.J.R. No. 1 would create no change in tax liabilities. The present constitution prohibits certain colleges and universities from receiving any general revenue funds for the acquiring or constructing of buildings or other permanent improvements, and final approval of C.S.H.J.R. No. 1 would remove this prohibition.

The balance of this analysis is written on the assumption that the court ruling would be adverse to the State's position with regard to the constitutionality of the Legislature's reduction of the assessment ratio, and that the court would require that taxes be levied and collected on tax rolls beginning with January 1, 1980. (We understand that the remedy is arguable. Although the court could require that collection of taxes begin with those levied on the roll of January 1, 1982, a working assumption of January 1, 1980, for purposes of this fiscal note permits reporting of tax estimates for all years since the Legislature acted.)

The dollar amounts of the State ad valorem taxes that would have been levied on the tax rolls subsequent to the legislative action reducing the assessment ratio and prior to the potential effective date of C.S.H.J.R. No. 1 are estimated as follows:

<u>Tax Roll</u> <u>January 1</u>	<u>State</u> <u>Fiscal Year</u>	<u>Estimated State</u> <u>Ad Valorem Tax</u>	<u>Cumulative</u> <u>Total</u>
1980	1981	\$ 115,638,300	\$
1981	1982	311,169,600	426,807,900
1982	1983	395,684,800	822,492,700

The State tax collections after the effective date of C.S.H.J.R. No. 1, should it be finally adopted, would be eliminated. State tax collections from tax rolls for each of the first five years after the potential effective date of C.S.H.J.R. No. 1 are estimated as follows:

<u>Tax Roll</u> <u>January 1</u>	<u>State</u> <u>Fiscal Year</u>	<u>Estimated State</u> <u>Ad Valorem Tax (10¢)</u>
1983	1984	\$ 435,829,500
1984	1985	528,008,700
1985	1986	581,385,800
1986	1987	639,524,400
1987	1988	703,476,800

The resolution would permit the counties to retain all receipts from previously authorized State ad valorem taxes that are collected on or after

the effective date of its adoption. These delinquent tax collections would come in over a period of years and are estimated as follows:

<u>Calendar Year</u>	<u>Delinquent Tax Collections to be Retained by Counties</u>
1983	\$617,230
1984	493,784
1985	370,338
1986	246,892
1987	123,446

It is believed that only a minor amount, totaling a bit more than \$100,000 in the aggregate, would be collected by the counties in years subsequent to 1987.

The tax receipts collected before C.S.H.J.R. No. 1 should become effective would be distributed to the institutions eligible to receive them under prior law to be expended for the purposes provided under prior law or for repair and renovation of existing permanent improvements. Present provisions of the Texas Constitution separate the collections of the State ad valorem tax into two parts: 85 percent of the collections are distributed by formula among the 17 eligible institutions. As of May 12, 1982, there was a balance in these moneys of \$81,460. It is assumed for purposes of this fiscal note that all collections assigned to the 85 percent category will be distributed to the eligible institutions prior to the final adoption of C.S.H.J.R. No. 1. A second part, 15 percent of collections, constitutes a reserve for bonds and this reserve amounts to \$17,359,320 as of May 12, 1982. It is assumed for purposes of this fiscal note that this provision of C.S.H.J.R. No. 1 specifies the institutions that would receive this money and the purposes for which it may be spent but does not specify what proportion of the total each institution would receive.

C.S.H.J.R. No. 1 would repeal Article VII, Section 17, of the Texas Constitution. In addition to the fiscal implications set forth above, the repeal of Article VII, Section 17, would remove the prohibition against appropriation of general revenue funds to the 17 eligible institutions thereby permitting legislative appropriation to these institutions for acquiring or constructing of buildings, or such purposes as the Legislature may determine.

If the Legislature approves the proposed amendment for placement on the ballot, a cost for publication, estimated at \$40,522, would be incurred. The appropriation to the Secretary of State for this purpose has an unexpended balance of \$157,089 as of May 1, 1982. With legislative approval of a constitutional amendment in this Second Called Session, there would be four proposed amendments on the ballot November 1, 1982, at an estimated publication cost of \$162,088 -- approximately \$5,000 more than is currently available in that line item.

Respectfully,

  
Thomas M. Keel  
Director

Source: State Property Tax Board; Coordinating Board, Legislative Budget  
Office: TK, HS, NN, LV

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Speaker of the House of Representatives

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- ( ) do pass, without amendment.
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This measure ( ) proposes new law.  
(X) amends existing law.  
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Atkinson	✓			
Barrientos	✓			
Delco		✓		
Elizondo				✓
Schoolcraft	✓			
Sharp	✓			
Ware	✓			

Total  
7 aye  
1 nay  
0 present, not voting  
1 absent

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Reynolds  
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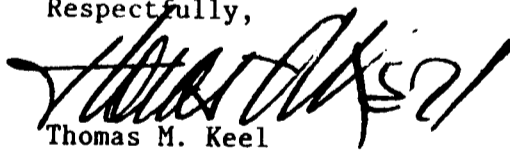
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Respectfully,

  
Thomas M. Keel  
Director

Source: State Property Tax Board; Coordinating Board, Legislative Budget  
Office: TK, HS, NN, LV

**ADOPTED**

as amended

MAY 25 1982

*Betty Murray*  
Chief Clerk  
House of Representatives

By Clayton, Schlueter, et al.

H.J.R. No. 1

Substitute the following for H.J.R. No. 1:

By *McFarland*

C.S.H.J.R. No. 1

A JOINT RESOLUTION

amending the constitution to repeal the state property tax.

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SECTION 1. That Article VIII, Section 1-e, of the Texas Constitution be amended to read as follows:

Sec. 1-e. 1. No [~~From--and--after--December-31,-1978,-no~~]  
State ad valorem taxes shall be levied upon any property within  
this State [~~for--State--purposes-except-the-tax-levied-by-Article~~  
~~VII,-Section-17,-for-certain-institutions-of-higher-learning~~].

2. All receipts from previously authorized State ad valorem  
taxes that are collected on or after the effective date of the 1982  
amendment to this section shall be deposited to the credit of the  
general fund of the county collecting the taxes and may be expended  
for county purposes. Receipts from taxes collected before that  
date shall be distributed by the legislature among institutions  
eligible to receive distributions under prior law. Those receipts  
and receipts distributed under prior law may be expended for the  
purposes provided under prior law or for repair and renovation of  
existing permanent improvements. [~~The--State--ad--valorem--tax~~  
~~authorized-by-Article-VII,-Section-3,-of-this-Constitution-shall-be~~  
~~imposed--at--the--following--rates--on--each--One--Hundred--Dollars~~  
~~{100.00}-valuation-for-the-years-1968-through-1974--On-January-1,~~  
~~1968--Thirty-five--Cents--{35¢},--on-January-1,-1969--Thirty-Cents~~  
~~{30¢},--on-January-1,-1970--Twenty-five-Cents--{25¢},--on--January--1,~~  
~~1971--Twenty-Cents--{20¢},--on-January-1,-1972--Fifteen-Cents--{15¢},~~

1 on-January-1,-1973,-Ten-Cents-(10¢),-on-January-1,-1974,-Five-Cents  
 2 (5¢),-and-thereafter-no-such--tax--for--school--purposes--shall--be  
 3 levied--and--collected:---An-amount-sufficient-to-provide-free-text  
 4 books-for-the-use-of-children-attending-the-public-free-schools--of  
 5 this--State--shall--be-set-aside-from-any-revenues-deposited-in-the  
 6 Available-School-Fund,-provided,-however,-that-should-such-funds-be  
 7 insufficient,-the-deficit-may-be--met--by--appropriation--from--the  
 8 general-funds-of-the-State-

9 [3.--The--State--ad--valorem-tax-of-Two-Cents-(2¢)-on-the-One  
 10 Hundred-Dollars-valuation-levied-by-Article--VII,-Section--17,-of  
 11 this--Constitution-shall-not-be-levied-after-December-31,-1976.--At  
 12 any-time-prior-to-December-31,-1976,-the-Legislature-may--establish  
 13 a--trust--fund--solely-for-the-benefit-of-the-widows-of-Confederate  
 14 veterans-and-such-Texas-Rangers-and-their-widows--as--are--eligible  
 15 for--retirement--or--disability--pensions--under--the-provisions-of  
 16 Article-XVI,-Section-66,-of-this-Constitution,-and-after-such--fund  
 17 is--established--the--ad-valorem-tax-levied-by-Article-VII,-Section  
 18 17,-shall-not-thereafter-be-levied-

19 [4.--Unless-otherwise--provided--by--the--Legislature,-after  
 20 December--31,-1976--all-delinquent-State-ad-valorem-taxes-together  
 21 with--penalties--and--interest--thereon,-less--lawful--costs--of  
 22 collection,-shall--be--used--to--secure-bonds-issued-for-permanent  
 23 improvements-at-institutions-of-higher-learning,-as--authorized--by  
 24 Article-VII,-Section-17,-of-this-Constitution-

25 [5.--The--fees--paid--by--the--State--for--both-assessing-and  
 26 collecting-State-ad-valorem-taxes-shall-not--exceed--two--per--cent  
 27 (2%)-of--the--State--taxes--collected:---This--subsection-shall-be

~~self-executing.~~ ]

SECTION 2. That the following unnumbered provision be added to the Texas Constitution:

VALIDATION OF ASSESSMENT RATIO. (a) Section 26.03, Tax Code, is validated as of its purported effective date.

(b) This section expires on the day following its effective date.

SECTION 3. That Article VII, Section 17, of the Texas Constitution be repealed.

SECTION 4. This constitutional amendment shall be submitted to the voters at an election to be held on November 2, 1982. The ballot shall be printed to provide for voting for or against the proposition: "The constitutional amendment repealing the state property tax."

AMENDMENT NO. 1

BY McFarland

Amend C.S.H.J.R. No. 1, on page 3, by striking lines 2-7  
and substituting the following:

*W. H. E. M.*  
SECTION 2. That Article VIII of the Texas Constitution  
be amended by adding Section 1-h to read as follows:

SECTION 1-h. VALIDATION OF ASSESSMENT RATIO. Section 26.03,  
Tax Code, is validated as of January 1, 1980.

**ADOPTED**

MAY 25 1982 *D.H.*

*Betty Murray*  
Chief Clerk  
House of Representatives

F

# HOUSE ENGROSSMENT

2nd. Printing

By Clayton, Schlueter, et al.

H.J.R. No. 1

## A JOINT RESOLUTION

amending the constitution to repeal the state property tax.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. That Article VIII, Section 1-e, of the Texas Constitution be amended to read as follows:

Sec. 1-e. 1. No [~~From--and--after--December-31--1978--no~~] State ad valorem taxes shall be levied upon any property within this State [~~for--State--purposes--except--the--tax--levied--by--Article VII--Section-17--for--certain--institutions--of--higher--learning~~].

2. All receipts from previously authorized State ad valorem taxes that are collected on or after the effective date of the 1982 amendment to this section shall be deposited to the credit of the general fund of the county collecting the taxes and may be expended for county purposes. Receipts from taxes collected before that date shall be distributed by the legislature among institutions eligible to receive distributions under prior law. Those receipts and receipts distributed under prior law may be expended for the purposes provided under prior law or for repair and renovation of existing permanent improvements. [~~The--State--ad--valorem--tax authorized-by-Article-VII--Section-3--of--this-Constitution--shall--be imposed--at--the--following--rates--on--each--One--Hundred--Dollars (\$100.00)--valuation--for--the--years--1968--through--1974--On-January-1--1968--Thirty-five--Cents--(35¢)--on-January-1--1969--Thirty-Cents (30¢)--on-January-1--1970--Twenty-five-Cents--(25¢)--on--January--1--1971--Twenty-Cents--(20¢)--on-January-1--1972--Fifteen-Cents--(15¢)--~~]

1 on-January-1,-1973,-Ten-Cents-(10¢);-on-January-1,-1974,-Five-Cents  
2 (5¢);-and-thereafter-no-such-tax-for-school-purposes-shall-be  
3 levied-and-collected.---An-amount-sufficient-to-provide-free-text  
4 books-for-the-use-of-children-attending-the-public-free-schools-of  
5 this-State-shall-be-set-aside-from-any-revenues-deposited-in-the  
6 Available-School-Fund,-provided,-however,-that-should-such-funds-be  
7 insufficient,-the-deficit-may-be-met-by-appropriation-from-the  
8 general-funds-of-the-State.

9 [3.---The-State-ad-valorem-tax-of-Two-Cents-(2¢)-on-the-One  
10 Hundred-Dollars-valuation-levied-by-Article-VII,-Section-17,-of  
11 this-Constitution-shall-not-be-levied-after-December-31,-1976.---At  
12 any-time-prior-to-December-31,-1976,-the-Legislature-may-establish  
13 a-trust-fund-solely-for-the-benefit-of-the-widows-of-Confederate  
14 veterans-and-such-Texas-Rangers-and-their-widows-as-are-eligible  
15 for-retirement-or-disability-pensions-under-the-provisions-of  
16 Article-XVI,-Section-66,-of-this-Constitution,-and-after-such-fund  
17 is-established-the-ad-valorem-tax-levied-by-Article-VII,-Section  
18 17,-shall-not-thereafter-be-levied.

19 [4.---Unless-otherwise-provided-by-the-Legislature,-after  
20 December-31,-1976-all-delinquent-State-ad-valorem-taxes-together  
21 with-penalties-and-interest-thereon,-less-lawful-costs-of  
22 collection,-shall-be-used-to-secure-bonds-issued-for-permanent  
23 improvements-at-institutions-of-higher-learning,-as-authorized-by  
24 Article-VII,-Section-17,-of-this-Constitution.

25 [5.---The-fees-paid-by-the-State-for-both-assessing-and  
26 collecting-State-ad-valorem-taxes-shall-not-exceed-two-per-cent  
27 (2%)-of-the-State-taxes-collected.---This-subsection-shall-be

1 ~~self-executing.~~ ]

2 SECTION 2. That Article VIII of the Texas Constitution be  
3 amended by adding Section 1-h to read as follows:

4 Sec. 1-h. VALIDATION OF ASSESSMENT RATIO. Section 26.03,  
5 Tax Code, is validated as of January 1, 1980.

6 SECTION 3. That Article VII, Section 17, of the Texas  
7 Constitution be repealed.

8 SECTION 4. This constitutional amendment shall be submitted  
9 to the voters at an election to be held on November 2, 1982. The  
10 ballot shall be printed to provide for voting for or against the  
11 proposition: "The constitutional amendment repealing the state  
12 property tax."

# LEGISLATIVE BUDGET BOARD

Austin, Texas

## FISCAL NOTE

May 24, 1982

Honorable Bob McFarland, Chairman  
Committee on Constitutional Amendments  
House of Representatives  
Austin, Texas

In Re: Committee Substitute for  
House Joint Resolution No. 1  
By: Clayton-Schlueter

Dear Sir:

In response to your request pursuant to House Rule V, Section 28, this office finds the fiscal implications of the Committee Substitute for House Joint Resolution No. 1 (amending the Constitution to repeal the state property tax) to be as follows:

The resolution states that no person would be required to pay State ad valorem taxes levied after December 31, 1979, but no one would be entitled to a refund for taxes paid. In 1979, the Legislature effectively eliminated the State ad valorem tax as a revenue measure by reducing the assessment ratio to .0001 percent beginning with the tax roll of January 1, 1980. That action has been challenged in the courts and the fiscal implications of C.S.H.J.R. No. 1 depend on the assumptions made as to the outcome of the court case.

If it is assumed that the court would sustain the action of the Legislature in reducing the assessment ratio, the final adoption of C.S.H.J.R. No. 1 would create no change in tax liabilities. The present constitution prohibits certain colleges and universities from receiving any general revenue funds for the acquiring or constructing of buildings or other permanent improvements, and final approval of C.S.H.J.R. No. 1 would remove this prohibition.

The balance of this analysis is written on the assumption that the court ruling would be adverse to the State's position with regard to the constitutionality of the Legislature's reduction of the assessment ratio, and that the court would require that taxes be levied and collected on tax rolls beginning with January 1, 1980. (We understand that the remedy is arguable. Although the court could require that collection of taxes begin with those levied on the roll of January 1, 1982, a working assumption of January 1, 1980, for purposes of this fiscal note permits reporting of tax estimates for all years since the Legislature acted.)

The dollar amounts of the State ad valorem taxes that would have been levied on the tax rolls subsequent to the legislative action reducing the assessment ratio and prior to the potential effective date of C.S.H.J.R. No. 1 are estimated as follows:

<u>Tax Roll</u> <u>January 1</u>	<u>State</u> <u>Fiscal Year</u>	<u>Estimated State</u> <u>Ad Valorem Tax</u>	<u>Cumulative</u> <u>Total</u>
1980	1981	\$ 115,638,300	\$
1981	1982	311,169,600	426,807,900
1982	1983	395,684,800	822,492,700

The State tax collections after the effective date of C.S.H.J.R. No. 1, should it be finally adopted, would be eliminated. State tax collections from tax rolls for each of the first five years after the potential effective date of C.S.H.J.R. No. 1 are estimated as follows:

<u>Tax Roll</u> <u>January 1</u>	<u>State</u> <u>Fiscal Year</u>	<u>Estimated State</u> <u>Ad Valorem Tax (10¢)</u>
1983	1984	\$ 435,829,500
1984	1985	528,008,700
1985	1986	581,385,800
1986	1987	639,524,400
1987	1988	703,476,800

The resolution would permit the counties to retain all receipts from previously authorized State ad valorem taxes that are collected on or after

the effective date of its adoption. These delinquent tax collections would come in over a period of years and are estimated as follows:

<u>Calendar Year</u>	<u>Delinquent Tax Collections to be Retained by Counties</u>
1983	\$617,230
1984	493,784
1985	370,338
1986	246,892
1987	123,446

It is believed that only a minor amount, totaling a bit more than \$100,000 in the aggregate, would be collected by the counties in years subsequent to 1987.

The tax receipts collected before C.S.H.J.R. No. 1 should become effective would be distributed to the institutions eligible to receive them under prior law to be expended for the purposes provided under prior law or for repair and renovation of existing permanent improvements. Present provisions of the Texas Constitution separate the collections of the State ad valorem tax into two parts: 85 percent of the collections are distributed by formula among the 17 eligible institutions. As of May 12, 1982, there was a balance in these moneys of \$81,460. It is assumed for purposes of this fiscal note that all collections assigned to the 85 percent category will be distributed to the eligible institutions prior to the final adoption of C.S.H.J.R. No. 1. A second part, 15 percent of collections, constitutes a reserve for bonds and this reserve amounts to \$17,359,320 as of May 12, 1982. It is assumed for purposes of this fiscal note that this provision of C.S.H.J.R. No. 1 specifies the institutions that would receive this money and the purposes for which it may be spent but does not specify what proportion of the total each institution would receive.

C.S.H.J.R. No. 1 would repeal Article VII, Section 17, of the Texas Constitution. In addition to the fiscal implications set forth above, the repeal of Article VII, Section 17, would remove the prohibition against appropriation of general revenue funds to the 17 eligible institutions thereby permitting legislative appropriation to these institutions for acquiring or constructing of buildings, or such purposes as the Legislature may determine.

If the Legislature approves the proposed amendment for placement on the ballot, a cost for publication, estimated at \$40,522, would be incurred. The appropriation to the Secretary of State for this purpose has an unexpended balance of \$157,089 as of May 1, 1982. With legislative approval of a constitutional amendment in this Second Called Session, there would be four proposed amendments on the ballot November 1, 1982, at an estimated publication cost of \$162,088 -- approximately \$5,000 more than is currently available in that line item.

Respectfully,

  
Thomas M. Keel  
Director

Source: State Property Tax Board; Coordinating Board, Legislative Budget  
Office: TK, HS, NN, LV

# LEGISLATIVE BUDGET BOARD

Austin, Texas

## FISCAL NOTE

May 24, 1982

Honorable Bob McFarland, Chairman  
Committee on Constitutional Amendments  
House of Representatives  
Austin, Texas

In Re: House Joint Resolution No. 1  
By: Clayton-Schlueter

Dear Sir:

In response to your request pursuant to House Rule V, Section 28, this office finds the fiscal implications of House Joint Resolution No. 1 (amending the Constitution to repeal the state property tax), to be as follows:

The resolution states that no person would be required to pay State ad valorem taxes levied after December 31, 1979, but no one would be entitled to a refund for taxes paid. In 1979, the Legislature effectively eliminated the State ad valorem tax as a revenue measure by reducing the assessment ratio to .0001 percent beginning with the tax roll of January 1, 1980. That action has been challenged in the courts and the fiscal implications of H.J.R. No. 1 depend on the assumptions made as to the outcome of the court case.

If it is assumed that the court would sustain the action of the Legislature in reducing the assessment ratio, the final adoption of H.J.R. No. 1 would create no change in tax liabilities. The present constitution prohibits certain colleges and universities from receiving any general revenue funds for the acquiring or constructing of buildings or other permanent improvements, and final approval of H.J.R. No. 1 would remove this prohibition.

The balance of this analysis is written on the assumption that the court ruling would be adverse to the State's position with regard to the constitutionality of the Legislature's reduction of the assessment ratio, and that the court would require that taxes be levied and collected on tax rolls beginning with January 1, 1980. (We understand that the remedy is arguable although the court could require that collection of taxes begin with those levied on the roll of January 1, 1982, a working assumption of January 1, 1980, for purposes of this fiscal note permits reporting of tax estimates for all years since the Legislature acted.)

The dollar amounts of the State ad valorem taxes that would have been levied on the tax rolls subsequent to the legislative action reducing the assessment ratio and prior to the potential effective date of H.J.R. No. 1 are estimated as follows:

<u>Tax Roll</u> <u>January 1</u>	<u>State</u> <u>Fiscal Year</u>	<u>Estimated State</u> <u>Ad Valorem Tax</u>	<u>Cumulative</u> <u>Total</u>
1980	1981	\$ 115,638,300	\$
1981	1982	311,169,600	426,807,900
1982	1983	395,684,800	822,492,700

The State tax collections after the effective date of H.J.R. No. 1, should it be finally adopted, would be eliminated. State tax collections from tax rolls for each of the first five years after the potential effective date of H.J.R. No. 1 are estimated as follows:

<u>Tax Roll</u> <u>January 1</u>	<u>State</u> <u>Fiscal Year</u>	<u>Estimated State</u> <u>Ad Valorem Tax (10¢)</u>
1983	1984	\$ 435,829,500
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1985	1986	581,385,800
1986	1987	639,524,400
1987	1988	703,476,800

The resolution would permit the counties to retain all receipts from previously authorized State ad valorem taxes that are collected on or after

the effective date of its adoption. These delinquent tax collections would come in over a period of years and are estimated as follows:

<u>Calendar Year</u>	<u>Delinquent Tax Collections to be Retained by Counties</u>
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1984	493,784
1985	370,338
1986	246,892
1987	123,446

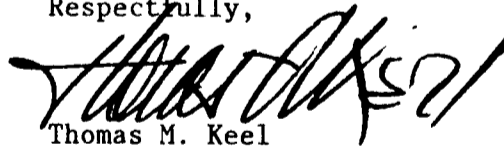
It is believed that only a minor amount, totaling a bit more than \$100,000 in the aggregate, would be collected by the counties in years subsequent to 1987.

The tax receipts collected before H.J.R. No. 1 should become effective would be distributed to the institutions eligible to receive them under prior law to be expended for the purposes provided under prior law or for repair and renovation of existing permanent improvements. Present provisions of the Texas Constitution separate the collections of the State ad valorem tax into two parts: 85 percent of the collections are distributed by formula among the 17 eligible institutions. As of May 12, 1982, there was a balance in these moneys of \$81,460. It is assumed for purposes of this fiscal note that all collections assigned to the 85 percent category will be distributed to the eligible institutions prior to the final adoption of H.J.R. No. 1. A second part, 15 percent of collections, constitutes a reserve for bonds and this reserve amounts to \$17,359,320 as of May 12, 1982. It is assumed for purposes of this fiscal note that this provision of H.J.R. No. 1 specifies the institutions that would receive this money and the purposes for which it may be spent but does not specify what proportion of the total each institution would receive.

H.J.R. No. 1 would repeal Article VII, Section 17, of the Texas Constitution. In addition to the fiscal implications set forth above, the repeal of Article VII, Section 17, would remove the prohibition against appropriation of general revenue funds to the 17 eligible institutions thereby permitting legislative appropriation to these institutions for acquiring or constructing of buildings, or such purposes as the Legislature may determine.

If the Legislature approves the proposed amendment for placement on the ballot, a cost for publication, estimated at \$40,522, would be incurred. The appropriation to the Secretary of State for this purpose has an unexpended balance of \$157,089 as of May 1, 1982. With legislative approval of a constitutional amendment in this Second Called Session, there would be four proposed amendments on the ballot November 1, 1982, at an estimated publication cost of \$162,088 -- approximately \$5,000 more than is currently available in that line item.

Respectfully,

  
Thomas M. Keel  
Director

Source: State Property Tax Board; Coordinating Board, Legislative Budget  
Office: TK, HS, NN, LV

COMMITTEE REPORT FORM

MAY 27, 1982 Austin, Texas  
Date of report to Senate

Honorable William P. Hobby  
President of the Senate

Sir:

We, your Committee on EDUCATION to which was referred  
~~HJR~~ No. 1 have had the same under consideration, and I am instructed to report it back to the Senate  
with the recommendation that it do pass and be printed.

  
Chairman

TAG FORM

Austin, Texas

May 26, 1982  
Date

To the Chairman of the Committee on Education:

Pursuant to Senate Rule 105, I hereby request 48 hours advance notice in writing of the time and place of the hearing on ~~HB~~ B. No. 1.

Mauzy

TAG FORM

Austin, Texas

May 26, 1982

Date

To the Chairman of the Committee on Education

Pursuant to Senate Rule 105, I hereby request 48 hours advance notice in writing of the time and place of the hearing on ~~HJR~~ ~~R~~ No. 1.



the original of this form to Calendar Clerk for placement on the bill, give one copy to the Secretary of the Senate's and one copy to the Chairman of the committee to which the bill was referred.

F

ENROLLED

H.J.R. No. 1

A JOINT RESOLUTION

amending the constitution to repeal the state property tax.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. That Article VIII, Section 1-e, of the Texas Constitution be amended to read as follows:

Sec. 1-e. 1. No [~~From--and--after--December-31,-1978,-no~~]  
State ad valorem taxes shall be levied upon any property within  
this State [~~for--State--purposes-except-the-tax-levied-by-Article~~  
~~VII,-Section-17,-for-certain-institutions-of-higher-learning~~].

2. All receipts from previously authorized State ad valorem  
taxes that are collected on or after the effective date of the 1982  
amendment to this section shall be deposited to the credit of the  
general fund of the county collecting the taxes and may be expended  
for county purposes. Receipts from taxes collected before that  
date shall be distributed by the legislature among institutions  
eligible to receive distributions under prior law. Those receipts  
and receipts distributed under prior law may be expended for the  
purposes provided under prior law or for repair and renovation of  
existing permanent improvements. [~~The--State--ad--valorem--tax~~  
~~authorized-by-Article-VII,-Section-3,-of-this-Constitution-shall-be~~  
~~imposed--at--the--following--rates--on--each--One--Hundred--Dollars~~  
~~(\$100.00)-valuation-for-the-years-1968-through-1974--On-January-1,~~  
~~1968--Thirty-five--Cents--(35¢),--on-January-1,-1969,-Thirty-Cents~~  
~~(30¢),--on-January-1,-1970,-Twenty-five-Cents-(25¢),--on--January--1,~~  
~~1971--Twenty-Cents-(20¢),--on-January-1,-1972,-Fifteen-Cents-(15¢),~~

on-January-1,-1973,-Ten-Cents-(10¢),-on-January-1,-1974,-Five-Cents  
(5¢),-and-thereafter-no-such-tax-for-school-purposes-shall-be  
levied-and-collected.---An-amount-sufficient-to-provide-free-text  
books-for-the-use-of-children-attending-the-public-free-schools-of  
this-State-shall-be-set-aside-from-any-revenues-deposited-in-the  
Available-School-Fund,-provided,-however,-that-should-such-funds-be  
insufficient,-the-deficit-may-be-met-by-appropriation-from-the  
general-funds-of-the-State.

[3.--The-State-ad-valorem-tax-of-Two-Cents-(2¢)-on-the-One  
Hundred-Dollars-valuation-levied-by-Article-VII,-Section-17,-of  
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any-time-prior-to-December-31,-1976,-the-Legislature-may-establish  
a-trust-fund-solely-for-the-benefit-of-the-widows-of-Confederate  
veterans-and-such-Texas-Rangers-and-their-widows-as-are-eligible  
for-retirement-or-disability-pensions-under-the-provisions-of  
Article-XVI,-Section-66,-of-this-Constitution,-and-after-such-fund  
is-established-the-ad-valorem-tax-levied-by-Article-VII,-Section  
17,-shall-not-thereafter-be-levied.

[4.--Unless-otherwise-provided-by-the-Legislature,-after  
December-31,-1976--all-delinquent-State-ad-valorem-taxes-together  
with-penalties-and-interest-thereon,-less-lawful-costs-of  
collection,-shall-be-used-to-secure-bonds-issued-for-permanent  
improvements-at-institutions-of-higher-learning,-as-authorized-by  
Article-VII,-Section-17,-of-this-Constitution.

[5.--The-fees-paid-by-the-State-for-both-assessing-and  
collecting-State-ad-valorem-taxes-shall-not-exceed-two-per-cent  
(2%)--of-the-State-taxes-collected.---This-subsection-shall-be

1    ~~self-executing.~~ ]

2            SECTION 2. That Article VIII of the Texas Constitution be  
3 amended by adding Section 1-h to read as follows:

4            Sec. 1-h. VALIDATION OF ASSESSMENT RATIO. Section 26.03,  
5 Tax Code, is validated as of January 1, 1980.

6            SECTION 3. That Article VII, Section 17, of the Texas  
7 Constitution be repealed.

8            SECTION 4. This constitutional amendment shall be submitted  
9 to the voters at an election to be held on November 2, 1982. The  
10 ballot shall be printed to provide for voting for or against the  
11 proposition: "The constitutional amendment repealing the state  
12 property tax."

H.J.R. No. 1

---

President of the Senate

---

Speaker of the House

I certify that H.J.R. No. 1 was passed by the House on May 25, 1982, by the following vote: Yeas 132, Nays 14, 1 present, not voting.

---

Chief Clerk of the House

I certify that H.J.R. No. 1 was passed by the Senate on May 27, 1982, by the following vote: Yeas 30, Nays 1.

---

Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

---

Governor

RECEIVED: \_\_\_\_\_

Date

---

Secretary of State

H. J. R. No. 1

By Clayton

HOUSE JOINT RESOLUTION

amending the constitution to repeal the state property tax.

APR 26 1982

1. Filed with the Chief Clerk.

MAY 24 1982

2. Read first time and referred to Committee on

CONSTITUTIONAL AMENDMENTS

MAY 24 1982

3. Reported favorably ~~(amended)~~ (as substituted) and sent to Printer at 12 NOON

MAY 24 1982

4. Printed and distributed at 1:16 pm

MAY 24 1982

5. Sent to Committee on Calendars at 1:20 pm

MAY 25 1982

6. Read second time Substitute (amended) and (finally) passed to ~~Third Reading~~ by a Record Vote of 132 yeas, 14 nays, 1 present, not voting.

7. Motion to reconsider and table the vote by which H.J.R. \_\_\_\_\_ was ordered engrossed prevailed (failed) by (Non-Record Vote) (Record Vote of \_\_\_\_\_ yeas, \_\_\_\_\_ nays, \_\_\_\_\_ present, not voting).

8. Read third time (amended) and finally adopted (failed of adoption) by a Record Vote of \_\_\_\_\_ yeas, \_\_\_\_\_ nays, \_\_\_\_\_ present, not voting.

9. Caption ordered amended to conform to body of resolution.

10. Motion to reconsider and table the vote by which H.J.R. \_\_\_\_\_ was finally adopted prevailed (failed) by a (Non-Record Vote) Record Vote of \_\_\_\_\_ yeas, \_\_\_\_\_ nays, and \_\_\_\_\_ present, not voting).

MAY 25, 1982

MAY 25 1982

Motion to table

Motion to postpone further consideration

of HJR No. 1 until Thursday

June 3 at 10 AM

prevailed by a ~~non~~-record vote, of 106 yeas 38 nays 1 prv

MAY 25 1982

11. Ordered Engrossed at 4:20 P.M.

MAY 25 1982

12. Engrossed.

MAY 25 1982

13. Returned to Chief Clerk at 6:19 P.M.

MAY 26 1982

14. Sent to the Senate.

MAY 26 1982

15. Received from the House

MAY 26 1982

16. Read, referred to Committee on EDUCATION

MAY 27 1982

17. Reported favorably

18. Reported adversely, with favorable Committee Substitute; Committee Substitute read first time.

19. Ordered not printed.

MAY 27 1982

20. Regular order of business suspended by unanimous consent ~~(a viva voce vote)~~ yeas, \_\_\_\_\_ nays.

21. To permit consideration, reading and passage, Senate and Constitutional Rules suspended by vote of \_\_\_\_\_ yeas, \_\_\_\_\_ nays.

MAY 27 1982

22. Read second time passed to third reading by: (a viva voce vote.) yeas, \_\_\_\_\_ nays.

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SECOND CALLED SESSION

23. Caption ordered amended to conform to body of bill.

MAY 27 1982

24. Senate and Constitutional 3-Day Rules suspended by vote of 29 yeas,  
1 nays to place bill on third reading and final passage.

MAY 27 1982

25. Read third time and passed by

(~~as viva voce vote~~)  
(~~29~~ yeas, 1 nays.)  
30

OTHER ACTION:

OTHER ACTION:

*Betty King*

Secretary of the Senate

May 27, 1982

26. Returned to the House.

MAY 27 1982

27. Received from the Senate (~~with amendments~~)  
(~~as substituted~~)

28. House (Concurred) (Refused to Concur) in Senate (Amendments) by a (Non-Record  
(Substitute) Vote) (Record Vote of \_\_\_\_\_ yeas, \_\_\_\_\_ nays, \_\_\_\_\_ present,  
not voting).

29. Conference Committee Ordered.

30. Conference Committee Report Adopted (Rejected) by a (Non-Record Vote) (Record  
Vote of \_\_\_\_\_ yeas, \_\_\_\_\_ nays, and \_\_\_\_\_ present, not voting).

MAY 27 1982

31. Ordered Enrolled at

2:45 pm

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